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9 July 1963

MEMORANDUM FOR THE DIRECTOR

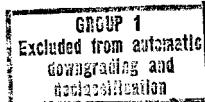
SUBJECT: Misleading Statements in a Recent UN Publication
Concerning Communist China's Economy

1. A recently published UN survey of the performance^{2/} of centrally planned economies in 1962 makes the statement in its very cursory treatment of Communist China's economy that overall agricultural output increased "substantially" in 1962. The survey says that production of grain had recovered the level reached before the Leap Forward in 1958 and that 1962 cotton "came close" to this level. The UN publication also says that a "process of recovery" from the reduced level of 1960-1961 seemed to be occurring in industry.

2. In RIA 13-63, "Problems and Prospects in Communist China," dated 1 May 1963, we estimated that China's grain

1/ This memorandum has been prepared with the assistance of G/LR.

2/ United Nations, Economic and Social Council, World Economic Survey, 1962; Part II, Current Economic Developments; Chapter 1, Recent Trends in the Centrally Planned Economies (E/1761/Add. 3, 7 June 1963), 71 pp.



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production in 1952 improved only slightly over the 1951 level and that it was on the general order of the 163 million tons harvested in 1957, when the population was ten percent (about 60 millions) smaller. We estimated that the average diet had improved, largely as a result of increased production of non-grain crops on private plots. Output of cotton we estimated at about half the 1.64 million tons produced in 1957. As far as industry is concerned, we made the judgment that the Chinese had achieved a moderate success by increasing the output of some priority goods and by improving quality and lowering costs. We stand by these estimates.

3. Thus, we disagree with the UN survey that the increase in overall agricultural production should be described as "substantial," and we believe that the survey's estimate of cotton production is far wide of the mark. Although the UN report correctly ascribes the causes of improvement in China's agriculture -- better weather, more private incentives, and the dismantling of the communes -- it omits what we believe to be a significant point. Reflecting the peasants' efforts on private plots, production of non-grain subsidiary crops increased markedly. Grain production which is almost entirely in the collectivized sector, showed a much more modest improvement.

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4. Press reports on the UN survey tend to mislead the reader further. The statement in the UN study that China's grain production had regained pre-Deep Forward levels (1957) should not be construed as signifying a fundamental economic recovery as the press reports imply. When set against the enormous population increase since 1958, China's economic performance can be seen in better perspective, a factor the UN study notes although perhaps not as pointedly as it might have.

5. The account which appeared in the Washington Post, dated 3 July 1963, said that at least some of the 1962 overall economic gains are continuing in 1963. The UN survey does not make this statement, and we do not believe such a statement is justified. Our preliminary assessment of this year's early crops, based in part on recent photography, is that they were not as good as last year's. We have good evidence that industrial activity remains at a low level. Furthermore, the lack of an announced economic plan and Peking's evident uncertainty over its policy regarding private incentives indicate that China's basic economic problems remain unsolved.

FOR THE BOARD OF NATIONAL ESTIMATES:

SHERMAN KNUTT
Chairman

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